

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 COME-00 AGR-20 TRSE-00 L-03 AID-20

CIEP-02 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01

USIA-15 PRS-01 RSR-01 /099 W
----- 086450

R 270930Z JUL 73

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8067
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: EIND, BDIS, ID

SUBJECT: GOODYEAR DISPUTED CONTRACT FOR LATEX

REF: JAKARTA 8967

1. SUMMARY: GOODYEAR SUMATRA PLANTATIONS EMBROILED
IN DISPUTE WITH GOI OVER CONTRACT FOR 1974 DELIVERY
OF LATEX, WHICH GOI INTENDS INVALIDATE UNLESS GOODYEAR
AGREES TO PAY HIGHER PRICE THAN CONTRACT CALLS FOR.
AMBASSADOR HAS BEEN ABLE GET GOODYEAR SHORT EXTENSION
OF GOI-IMPOSED DEADLINE TO CONTINUE EFFORT REACH
SETTLEMENT. END SUMMARY.

2. JULY 20 HARRY LUNDBERG, MANAGING DIRECTOR GOODYEAR
SUMATRA PLANTATIONS COMPANY, CALLED ON AMBASSADOR TO
REQUEST HIS ASSISTANCE IN DISPUTE OVER
LATEX CONTRACT BETWEEN GOODYEAR AND COOPERATIVE MARKET-
ING OFFICE IN MEDAN (KANTOR PERMASARAN BERSMA PNI-I-IX).
CONTRACT, DATED FEBRUARY 17, 1973, CALLS FOR DELIVERY TO
GOODYEAR OF 3,000 TONS OF LATEX IN JANUARY-JUNE 1974.
GOODYEAR MADE DOWN PAYMENT. ON JULY 16, 1973, HOWEVER,
GOODYEAR NOTIFIED THAT CONTRACT WOULD BE INVALIDATED UN-
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LESS IT AGREED BY JULY 21 TO SUBSTANTIAL PRICE INCREASE

(THIS DEMAND IN LINE WITH PNP ACTIONS, REPORTED IN REFTEL FROM MEDAN, WHICH CLEARLY RESULT FROM CENTRAL GOVERNMENT DECISION). ACCORDING LUNDBERG, GOODYEAR HAS ALREADY CONTRACTED FOR DELIVERY OF RUBBER IT WILL MAKE FROM THIS LATEX, AND IF IT AGREED TO PROPOSED PRICE HIKE WOULD SUFFER A LOSS OF ABOUT \$1 MILLION.

3. AMBASSADOR IMMEDIATELY TELEPHONED MINISTER OF AGRICULTURE TOJIB AND GOT HIS AGREEMENT TO EXTEND JULY 21 DEADLINE, ALLOWING GOODYEAR FURTHER TIME TO REACH SETTLEMENT OR RENOGATIATION OF CONTRACT. DEADLINE REPORTELY EXTENDED UNTIL JULY 31, BUT MEDAN MARKETING OFFICE INTERPRETED EXTENSION AS ONLY UNTIL JULY 28. AMBASSADOR ON JULY 26 AGAIN INTERCEDED WITH TOJIB, THIS TIME BY LETTER, REQUESTING IN VIEW OF LONG HISTORY OF SUCCESSFUL GOODYEAR CONTRACTS, THAT DEADLINE BE FURTHER EXTENDED TO PERMIT RESOLUTION OF PRESENT DIFFICULTIES. AMBASSADOR ALSO REQUESTED APPOINTMENT FOR LUNDBERG TO SEE TOJIB, AND

AGREED TO ASSIST IN GETTING HIM APPOINTMENT TO SEE FOREIGN MINISTER MALIK. LUNDBERG INDICATED HE HAD SEEN BARLI HALIM (CHAIRMAN CAPITAL INVESTMENT COORDINATING BOARD) AND WOULD BE SEEING MINISTER FOR TRADE RADIUS PRAWIRO.

4. LUNDBERG HAS SO FAR NOT RESPONDED TO EMBASSY REQUEST TO PROVIDE US WITH DOCUMENTATION ON THIS CASE. THERE MAY BE DOUBT AS TO VALIDITY OF CONTRACT; LUNDBERG STATES THAT THERE WAS PROVISION IN CONTRACT FOR SIGNATURE BY A REPRESENTATIVE OF CENTRAL GOVERNMENT, WHICH NEVER SIGNED. LUNDBERG HAD NOT UNDERSTOOD THAT THIS WAS OF ANY IMPORTANCE. HE ACKNOWLEDGED THAT ORDINARILY SUCH A PROVISION WOULD BE CONSTRUED AS MEANING APPROVAL BY HIGHER AUTHORITY WAS NECESSARY FOR VALIDITY OF CONTRACT. HOWEVER, LUNDBERG SAID THIS WAS A NEW PROVISION, NOT CONTAINED IN PREVIOUS CONTRACTS; WHILE HIS LAWYERS NOT UNANIMOUS, SOME FEEL THAT IN LIGHT OF PREVIOUS PRACTICE AND FACT DOWN PAYMENT MADE, CONTRACT WAS VALID WITHOUT CENTRAL GOVERNMENT APPROVAL.

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5. WE WILL CONTINUE TO DO ALL WE CAN TO ASSIST LUNDBERG. BELIEVE, IN LIGHT REFTEL, WE MAY EXPECT REQUESTS FOR HELP FROM OTHER AMERICAN LATEX BUYERS. APART FROM POSSIBLE SERIOUS LOSSES TO U.S. BUSINESS INTERESTS, WE ARE CONCERNED ABOUT EFFECT ON CREDIT STANDING OF NATIONALIZED ESTATES AND GOI OF FAILURE TO LIVE UP TO AGREEMENTS EVEN IF VALIDITY NOT TECHNICALLY IRONCLAD. ON OTHERHAND, SUBSTANTIAL AMOUNTS OF MONEY ARE INVOLVED FOR

INDONESIA (WHICH IN CASE OF OIL, AT LEAST, NORMALLY
CONTRACTS AT CURRENT MARKET PRICE.) WOULD APPRECIATE ANY
INFORMATION AND/OR GUIDANCE WASHINGTON AGENCIES CAN PRO-
VIDE.
GALBRAITH

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